

## 10<sup>th</sup> MEETING OF THE THEMATIC NETWORK ON SIMPLIFICATION

Lisbon, 25-26 October 2018

### Summary

The 10th meeting of the Thematic Network on Simplification took place in Lisbon on 25-26 October 2018. It involved 87 representatives from 25 Member States including Managing Authorities, Audit Authorities as well as stakeholders and the European Commission (DG EMPL). The meeting was hosted by the Portuguese Agency for Development and Cohesion.

On the basis of the collaboration between authorities, the meeting was mainly dedicated to develop concrete solutions and proposals around two key themes, Audit and Simplified Cost options (SCO), with the aim of achieving the following **objectives and outcomes**:

- Discuss the changes introduced by the Omnibus Regulation, with particular attention to Delegated Acts adopted under Art. 67 CPR and related implications
- Present the outcomes of the TN surveys on “Audit” and “Simplified Cost Options”, which have been launched after the ninth meeting
- Provide explanations and examples of how the work done can be documented, in case of ex-ante assessment of simplified cost options
- Identify and plan the actions to be implemented by the TN and MS regarding “Audit and partnerships between MA and AA”, with particular attention to actions supporting ex ante assessment of SCO
- Present and discuss the state of play on Delegated Acts adopted under Art. 14(1) ESF and the next steps on “EU Level SCO”
- Explore the possibility to develop a “TN practical guide on SCO”, as well as several other actions related to SCO
- Present the preliminary actions of the TN subgroup on Financial Instruments and discuss on the setting up of subgroup(s) on “Post 2020 and result based approaches”

The **agenda of the meeting** is available [here](#).

**Next meeting** will take place in **Belfast, United Kingdom** on **13-14 February 2019**.

**All presentations are available on the ESF Transnational Platform [online library](#) (restricted access only to TN participants)**

### DAY 1 – Thursday, 25<sup>th</sup> October

#### WELCOME BY THE HOST MEMBER STATE

**Nelson de Souza**, Portuguese Secretary of State for Development and Cohesion, welcomed participants of the Thematic Network (TN) and thanked the involvement of Managing Authorities (MAs), Audit Authorities (AAs) and stakeholders. Mr de Souza highlighted the importance of the TN as well as the dissemination of exchange of practices in different MAs and European regions.

#### PRESENTATION OF THEMATIC NETWORK AND AGENDA

**Luca Santin**, TN expert, introduced the agenda of the meeting divided into three sessions: audit and omnibus regulation, Simplified Cost Options and a third one, Beyond SCOs and Audit. The presentation is available [here](#).

## **SESSION I – OMNIBUS REGULATION AND AUDIT**

### **I.1 – Omnibus Regulation and updates on the state of play on Audit ([presentation](#))**

This session aimed to present and discuss the changes introduced by the Omnibus Regulation. Michael Grosse (EC – DG EMPL, Unit F/1 “: ESF and FEAD Policy and Legislation”) presented amendments to the CPR (Article 272) and to the ESF Regulation (Article 273) and briefed the TN about Commission’s intention to adopt a delegated act based on the new provision in article 67(1)(e) CPR (‘financing not linked to costs’).

Key points addressed within the presentation and the Q&A session:

- Direct staff costs can be calculated with a flat rate of up to 20% of the direct costs other than staff costs and there is no need to perform a calculation to establish the applicable rate provided the direct costs of the operation do not include public works contracts above threshold in the public procurement directive.
- Compulsory use of SCOs for ERDF and ESF grants/repayable assistance where the public support does not exceed EUR 100.000 for operations not implemented exclusively through public procurement.
- The remaining eligible costs of an operation (other than direct staff costs) can constitute a flat rate of up to 40% of eligible direct staff costs.
- Rules for calculating an hourly rate for staff costs (latest documented annual gross employment cost/1720 hours) have been clarified: in case of part-time work: pro rata; in case annual gross employment costs are not available: available data or employment contract adjusted for a 12 month period can be used.
- DG REGIO representatives advised not to change from real costs to SCOs once the call for funding is closed as there may be beneficiaries that would consider this unequal treatment and therefore the call may be deemed against the principle of equal treatment. However, it may be possible if this situation was foreseen in the call for any specific reason.

### **I.2 – Survey on Audit ([presentation](#))**

Luca Santin presented the key outcomes from the TN survey on Audit and introduced the session on ex-ante assessment.

Luca briefed participants on the results of the survey on Audit launched at the 9<sup>th</sup> TN meeting in June 2018. These results are available on the presentation. These responses were further discussed at the second meeting of the TN subgroup on Audit in October 2018. The subgroup discussed key outcomes as well as identified and prioritized actions on audit and ex-ante assessment. Possible actions will include the preparation of a TN guide on ex ante assessment of SCOs, the preparation of Draft Terms of Reference (ToRs) for ex-ante assessment and training or capacity building actions.

### **I.3 – Ex-ante assessment of Simplified Cost Options: reporting requirements for advisory services – examples and good practices in line with ISA ([presentation](#))**

During the homologues meeting with the Audit Authorities in Sofia on 24-25 September 2018, the Audit Authorities expressed a mainly positive attitude towards the ex-ante assessment of simplified cost options. There was, however, a wish to learn more about the documentation needs that the Commission would see appropriate for this type of activities (scope, prior agreement on mutual understanding, information gathering, and audit trail on activities carried out and finally reporting towards the managing authority). This workshop provided explanations and examples. The aim is not to be exhaustive and the preferred approach would be to have a "bottom up" agreement that is supported by the Audit Authorities.

#### **I.4 – Concrete actions on audit and ex ante assessment ([presentation](#))**

On the basis of the priorities identified at the 9th Meeting of the TN, key outcomes from the survey and updates provided by the European Commission representatives, participants were invited to discuss in groups and identify the concrete actions to be implemented by the TN and Member States regarding “Audit and partnerships between MA and AA”.

The Working Groups had to identify preliminary recommendations and proposals for the development of the first two tasks suggested by the Subgroup members on Audit: TN guide on ex ante assessment and Draft Terms of Reference (ToRs) for ex-ante assessment. The table below summarises the discussion of the nine working groups.

<b>TN guide on ex ante assessment and</b>	<b>Draft ToRs for ex-ante assessment</b>
<ul style="list-style-type: none"> <li>• <i>Introduction which clearly indicates the purpose and legal basis (including link to legal documents). The Guide should include useful references, not mandatory/binding provisions</i></li> <li>• <i>Involvement of AAs, MAs, IBs and relevant agencies to make sure everyone has a common understanding of issues.</i></li> <li>• <i>Methodology, including timelines, of all different layers of assessment. ‘Step-by-step- approach’</i></li> <li>• <i>Engagement of beneficiaries.</i></li> <li>• <i>Case studies from different MSs, including successful practices and common mistakes/possible corrections.</i></li> <li>• <i>Agreement with AA how deep the assessment should go (i.e. Depth of (data) analysis required (AA). Examples of audit trail</i></li> <li>• <i>Advice/consultancy about different types of assessment, main issues with each type of SCO and approaches (e.g. process based - result based, etc).</i></li> <li>• <i>Description of the result of the assessment: scope and implications</i></li> <li>• <i>Pro's, Con's and concerns (to overcome)</i></li> <li>• <i>Impact of ex ante assessment</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>It should not be mandatory and it should not include provisions that are too specific</i></li> <li>• <i>It should be an annex of the TN Guide</i></li> <li>• <i>The scope should be clearly identified and agreed between MAs and AAs.</i></li> <li>• <i>Roles and responsibilities should of all authorities should be specified (e.g. AA as audit, informal, advisory / consultant role)The source and provider of data (to support the calculation methodology) should be clearly determined.</i></li> <li>• <i>Reference/principles on how to present the methodology (MA) and how to assess it (AA)</i></li> <li>• <i>Output and outcomes of the assessment</i></li> </ul>

## SESSION II – SIMPLIFIED COST OPTIONS

### II.1 – Delegated Acts and EU level SCO ([presentation](#))

On the basis of the 6th amendment to Delegated Regulation (EU) 2015/2195, this session aimed to present the state of play on the methodologies adopted so far, as well as the new provisions regarding EU Level SCO. Michael Grosse presented and explained these new proposed amendments.

Key points addressed within the presentation and the Q&A session:

- New annex for Bulgaria (Unit costs for training – result-based).
- Amending existing annexes for France, Czech Republic, Slovakia, Austria, Romania, Cyprus and Croatia.
- Amending the existing annex for EU-level SCOs on education and adding EU-level SCOs for
  - Training for unemployed people
  - Counselling services
  - Training for employed people
    - There is a regional index.
    - No cherry-picking. If EU level SCOs are used for some operations, the same unit costs need to be applied for all operations within the same OP.

### II.2 – Survey on SCO ([presentation](#))

Presenting the key outcomes from the survey on SCO and introducing the working groups session.

During the 9<sup>th</sup> TN meeting in June 2018, participants identified a set of topics and actions to be developed by the subgroup on SCOs. The first meeting of the TN subgroup on SCOs took place in October 2018 and they discussed the key outcomes from the survey on SCOs launched in July. The subgroup identified and prioritised actions for the TN:

- Contribute to enhancing the EC Guidance note on SCOs (examples, clarifications, definitions) and/or prepare a similar TN document (to provide practical references to practitioners across Europe).
- Collect fiches and relevant information on SCO established under 14(1) ESF.
- Set up a digital roadmap to disseminate the SCO practices, making them more accessible and readable for non TN members.
- Collect information on the actual and potential use of SCOs from other Union policies.
- Identify opportunities for new EU Level SCOs.

### II.3 – TN (practical) guide on SCOs ([presentation](#))

This session aimed to explore, in working groups, the possibility to develop a TN Guide on Simplified Cost Options, capitalising on the remarkable experience and practical knowledge developed by several MAs and AAs involved in the TN. The table below summarises the discussion of the nine working groups.

<b>Outline structure of the guide</b>
<ul style="list-style-type: none"><li>• Inclusion of concrete examples. Both positive and negative ones (anonymous). If negatives ones, possible solutions and clarifications should be included</li><li>• List of requirements for each SCO, including a clear separation between decision</li></ul>

- making process, designing the methodology and implementation stage
- Decision tree
- Explain pros and cons of the different options (types of SCOs and methodologies)
- Share practices on how to make mandatory the use of SCOs
- Examples of financial corrections
- Examples of draft budgets
- Use of SCOs from other Union policies
- Use of costs established by national legislative provisions
- How to carry out quality checks
- How to avoid creaming
- Details on examples of staff costs
- Links to indicators
- Horizontal provisions: State aid and public procurement
- Audit trail
- Risks and cases of fraud
- Questions and Answers section
- Link to practices and case reports available on the online platform

## DAY 2 – Friday, 26<sup>th</sup> October

### II.4 – Operational priorities for the subgroup on SCO

This session aimed to discuss the priorities identified by TN Members at the 9th Meeting and developed on the basis of the TN survey on SCO. Particular attention was dedicated to how to contribute to enhancing the EC Guidance note on SCOs. It was noted that The Guidance Note on SCOs is an official document, prepared by the Commission services and adopted by Commission decision, which covers all ESI Funds (not only ESF). The TN can discuss how to input to the guidance but we have to keep in mind that the content of the guide is an EC competence

The table below summarises the discussion of the nine working groups.

<b>Suggestions/proposals for the update of the EC guidance note on SCOs</b>
<ul style="list-style-type: none"> <li>• Include real examples from the MS (e.g. taken from maps of practices and case reports developed by the TN)</li> <li>• Include an FAQ section</li> <li>• “Up to” doctrine with regards to flat rate (how the “up to” should be implemented)</li> <li>• Checklist for ex-ante assessment</li> <li>• Updates in relation to Omnibus</li> <li>• Public procurement (how to deal with public procurement rules when designing, implementing and auditing SCOs)</li> <li>• State aid section</li> <li>• Lump sums (binary approach)</li> <li>• Inclusion of FEAD</li> <li>• Combination of SCOs examples</li> <li>• New section on EU Level SCOs</li> <li>• Methodology of draft budgets.</li> <li>• Specific references to other SCOs used under Union policies</li> <li>• Financing not linked to costs (additional form of reimbursement)</li> <li>• More explanations on data collection and processing, use of statistical data and</li> </ul>

functions, update

- Guidance on application of financial corrections on SCOs
- How to switch from real costs to SCOs during implementation?
- How the risks of possible fraud and abuse can be identified & the tasks of MA and AA in this regard

## **SESSION III – BEYOND SCO AND AUDIT**

### **III.1 – Subgroup on “Financial Instruments” ([presentation](#))**

This session, presented by Aleksandra Dmitruk (Ministry of Economic Development – Poland) aimed to present the outcomes of the TN survey on “Financial Instruments” and the preliminary actions identified by the subgroup.

During the first meeting of the subgroup on ‘financial instruments’ which took place in October 2018, the results of the survey were analysed and the following actions were suggested:

- Crossed / peer to peer training (i.e. between MS)
- Mapping of specific practical issues related to the design and implementation of the FI and identification of possible solutions / countermeasures and recommendations
- Analysis of the provisions introduced with the Omnibus Regulation and of the proposals for 2021-2027 period

These actions will be developed during the second subgroup meeting.

### **III.2 – “Post 2020” and “Result based approaches” ([presentation](#))**

On the basis of the proposals for the 2021-2027 period, presented by EC representatives at the 9th TN meeting, this session aimed to pave the way for the launch of the two remaining subgroups identified by TN Members at previous meetings. Particular attention was dedicated to the new forms of union contribution (i.e. financing not linked to costs of the operations and based on the fulfilment of conditions or achievement of results). Louis Vervloet (Department of Work and Social Economy – Flanders) presented the state of play of EU policy object 4: towards a more Social Europe.

### **III.3 – Innovative projects from TN Members (implementation phase) ([presentation](#))**

Representatives of the Social Innovation Portugal presented the key aspects related to the implementation of the “one value” project, which has been partially presented at the 9th TN meeting. The project aims to centralise, standardise and provide data regarding the cost of Portugal’s entrenched social problems. Data contained in this platform has the potential to improve public service commissioning and public service reform, informing public policy and a more efficient use of public funds.

### **III.4 – Updating TN work plan and planning of next meetings ([presentation](#))**

Next meeting will take place in Belfast, UK in February/March 2019.

The action points for participants are summarized on the table below.

**I AUDIT / EX ANTE ASSESSMENT OF SCOs (Coordinated by the subgroup on Audit)**

	Actions	Who is involved	Deadline
1	Preparation of the outline structure of the "TN Guide on ex ante assessment" and draft questionnaire to collect data and information from the MS	Thematic Expert / subgroup on Audit	14/12/2018
2	Data collection	Thematic Expert/subgroup on Audit (other MSs - Tbd)	08/02/2019
3	Preparation of the first preliminary draft of the TN Guide on ex ante assessment	Thematic Expert / subgroup on Audit	28/02/2019
4	Preparation of the first draft of ToRs	Thematic Expert / UK-Ni	28/02/2019

**II SIMPLIFIED COST OPTIONS (Coordinated by: MT)**

	Actions	Who is involved	Deadline
1	EC guidance note: preparation of TN suggestions	Thematic Expert / subgroup on SCOs	23/11/2018
2	Preparation of the outline structure of the "TN practical Guide on SCOs" and draft questionnaire to collect data and information from the MS	Thematic Expert / subgroup on SCOs	14/12/2018
3	Data collection	Thematic Expert/subgroup on SCOs (other MSs - Tbd)	08/02/2019
4	Preparation of the first draft of the TN practical Guide on SCOs	Thematic Expert / subgroup on SCOs	28/02/2019

**III FINANCIAL INSTRUMENTS**

	Actions	Who is involved	Deadline
1	Develop proposals on concrete actions identified by the subgroup	Thematic Expert / subgroup on Financial Instruments	15/02/2019